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World Production and Trade

United States
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Foreign
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Service

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Weekly
Roundup

WR 21-85

May 22, 1985

The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade:

GRAIN AND FEED

KOREA continues to import Chinese corn in record quantities. In the first four months of calendar year 1985 Korea purchased 956,000 tons of Chinese corn against only 375,000 tons of U.S. corn. The U.S. portion represents 27 percent of Korea's corn imports for this period. In previous years, the U.S. has accounted for over 95 percent of Korea's corn imports.

JAPAN has purchased 400,000 - 500,000 tons of corn from Argentina for April-June shipment. This represents the largest purchase of Argentine corn in 10 years by Japan. The United States normally supplies 1.1 million tons of Japan's average monthly corn imports of 1.2 million tons.

Japan is also expected to purchase 400,000 - 500,000 tons of Thai tapioca which also competes with U.S. sorghum. The U.S. supplies about 50 percent of Japan's sorghum imports which have averaged about 2 million tons in the last 5 years.

SPAIN harvested a record barley crop of 10.0 million tons in 1984 and, as a result, has large stocks on hand. Spain has been trying to export these surpluses in the face of subsidized EC barley sales in foreign markets.

A Spanish tender to export 150,000 tons of surplus barley was voided recently because it would have required a \$67/ton subsidy to make the Spanish barley competitive in world markets. Spain is reported to have over 1 million tons of barley stocks. These stocks will now weigh on the domestic market and likely compete with other imported feedgrains.

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PAKISTAN has reportedly rejected an offer of up to 2.0 million tons of wheat from India in exchange for fertilizer. The government of Pakistan was apparently dissatisfied with the price differentials offered by India.

India is reported to have near record wheat stocks and is experiencing storage problems. Export arrangements such as the one with Pakistan are an attempt to help ease their storage problems. However, price and grading specifications have remained barriers to export.

OILSEEDS AND PRODUCTS

KOREA'S three soybean crushing firms are reported to have purchased 80,000 tons of Brazilian soybean for July delivery. Imports in marketing years 1983 and 1984 were 695,000 and 712,000 tons, respectively, all from the United States. Korean imports in marketing year 1984/85 are forecast at 750,000 tons. Unhappiness with U.S. soybean quality has been given as the reason for the shift of origin, which is being described as a trial purchase. Higher oil yield is expected to compensate the \$2-5 per ton, cost and freight, price premium for Brazilian origin.

According to the U.S. agricultural officer in Sao Paulo, BRAZIL, the Foreign Trade Department of the Banco Do Brazil (CACEX), has suspended export registrations for soybeans and soybean oil for shipment during May. Registrations for other months, as well as those for May soybean meal remain open. The suspension of May registrations was probably caused by exceptionally high shipments scheduled for May, which the ports will have difficulty handling. Trade sources do not expect the suspension to have any significant effect on the market.

BRAZIL's Ministry of Agriculture's production financing company (CFP) has bought 756,000 tons of soybeans from the 1984/85 crop and purchases could exceed a million tons. It is the first time ever the Brazilian government has been obliged to make large purchases of soybeans. The action reflects the low level of domestic prices. Most of the soybeans will probably be auctioned off, although the government might also introduce a system of exchanges with crushers for soybean oil to help its program of food aid for the poor.

DAIRY, LIVESTOCK AND POULTRY

Meat production on state and collective farms in the SOVIET UNION during January-April 1985 was 6 percent above the same period in 1984, according to the U.S. agricultural attache in Moscow. Beef production, the largest component of meat production, was up 7 percent, pork output was 5 percent higher and poultry meat production increased 8 percent. Egg output for the first 4 months of 1985 was reported at 18 billion eggs or up 2 percent. Milk production was reported at 20 million tons or slightly below the same period in 1984. Production per cow for January-April 1985 was essentially unchanged as during the same period in 1984, despite the unusually cold winter and late spring.

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Cattle numbers on May 1, 1985 were reported at 98.3 million head, slightly above May 1, 1984. However cow numbers at 29.6 million head were down slightly from a year ago. Hog inventories were reported at 57.4 million head, down 3 percent. Poultry numbers on May 1 were up about 1 percent from 1984.

Livestock inventory changes during April 1985 reflect a continued tight feed supply situation and late spring. Cattle numbers increased 1.5 million head during April 1985 compared to a 1.9 million head increase in 1984. In April 1985, hog numbers declined 0.9 million head compared to a 0.6 million head April increase in 1984.

According to the U.S. counselor in Ottawa, 1985 Canadian beef production is forecast at 985,000 tons or about 1 percent below the 1984 level. Cattle numbers in 1985 are forecast to drop 4 percent to 10.52 million head. Tighter than expected forage supplies for the winter feed period due to last year's drought in western Canada resulted in sustained higher slaughter rates in the first quarter of 1985. As pasture conditions improve, cattle slaughter is projected to drop below year ago levels.

The growing stock of surplus beef in the EC has sharply reduced YUGOSLAV baby beef sales to the Community. High trade barriers have precluded Yugoslavia's filling its annual baby beef quota of 50,400 tons. Yugoslavia has demanded special negotiations with the EC to deal with the problem, but has been rebuffed, with member states citing growing Community surpluses and the need to limit imports.

Yugoslavia in 1984 exported only 17,940 tons of high quality beef to the EC, compared to 22,000 tons in 1983. The agreement between the EC and Yugoslavia permits up to 4,200 tons to enter at reduced import duties. If EC beef prices are low, the duty reduction is very small. As a result of the surplus of beef on the EC market, the duty reduction is very little and Yugoslavian beef is no longer competitive. The problem was complicated by a high Yugoslav forced slaughter in 1984 which added to domestic supplies. The inability to export livestock products at accustomed levels is having a severe impact on Yugoslavia's foreign exchange earnings, as 80 percent of livestock product export sales are made for hard currency.

U.S. exports of fresh and frozen pork to JAPAN dropped to 2,000 tons in January-March 1985, compared with the 8,000 tons shipped during the same period last year. This indicates a continuation of the recent declining trend in exports to Japan, our largest pork market. From a 1983 peak of 34,000 tons (a 21-percent market share), exports of U.S. pork to Japan fell to 19,000 tons (a 10-percent market share) in 1984.

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Japanese imports of pork during the January-March 1985 period were 41,000 tons, down 21 percent from 52,000 tons during the same period in 1984. Increased domestic production coupled with marginal growth in consumption have contributed to this decline. U.S. exports, however, have suffered more than those of our competitors. Reasons for the lack of competitiveness of U.S. pork include traditional competition from Denmark and new competition from Taiwan.

Cutting specifications in Denmark (Japan's largest supplier) are very similar to those in Japan, which means less additional work on the products for domestic use. In Taiwan, an oversupply of pork has resulted in increased exports in recent years. Additionally, improved transportation methods have made it possible for Taiwan to ship chilled meat, which the Japanese prefer, rather than frozen meat (which other suppliers, including the United States, ship). Japanese imports of Taiwanese pork more than doubled from 18,000 tons in 1982 to 50,000 tons in 1984.

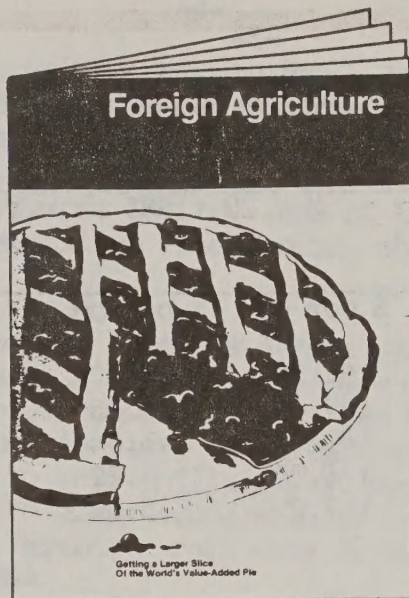
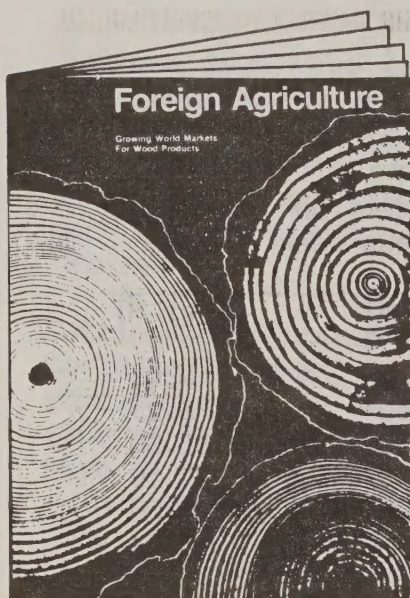
TOBACCO

According to the U.S. agricultural counselor in Beijing, China's 1985 tobacco crop is forecast at 1,769,800 tons, up 7 percent from last year's revised crop estimate of 1,646,500 tons, but 19 percent below the record level of 1982. Flue-cured tobacco continues to represent nearly 85 percent of output. The remaining 15 percent consists of burley, oriental, dark air/sun cured and cigar tobaccos. Quality problems still persist despite measures to produce more medium- and high-quality leaf. To further promote the production of high-quality tobacco, the price paid for top-quality tobacco in 1985 will increase by about 20 percent.

Selected International Prices

Item	: May 22, 1985		: Change from	: A year
	:		: previous week	: ago
ROTTERDAM PRICES 1/	\$ per MT	\$ per bu.	\$ per MT	\$ per MT
Wheat:				
Canadian No. 1 CWRS-13.5%.	184.50	5.02	-1.50	N.Q.
U.S. No. 2 DNS/NS: 14%....	167.00	4.55	-1.50	186.25
U.S. No. 2 S.R.W.	141.00	3.84	-9.00	161.00
U.S. No. 3 H.A.D.....	176.00	4.79	-2.00	185.50
Canadian No. 1 A: Durum...	187.00	5.09	-2.00	200.00
				12/
Feed grains:				
U.S. No. 3 Yellow Corn....	131.50	3.34	-1.00	163.50
Soybeans and meal:				
U.S. No. 2 Yellow.....13/	231.50	6.30	-4.50	350.75
Brazil 47/48% SoyaPellets 4/	142.00	--	-3.50	220.00
U.S. 44% Soybean Meal....	143.50	--	-2.50	224.00
U.S. FARM PRICES 5/				
Wheat.....	121.61	3.31	-1.47	132.26
Barley.....	83.59	1.82	0	105.66
Corn.....	103.15	2.26	-.39	133.46
Sorghum.....	97.44	4.42 6/	-.22	-109.79
Broilers 7/.....	1170.86	--	42.33	1303.36
EC IMPORT LEVIES				
Wheat 8/.....	73.40	2.00	+9.80	71.40
Barley.....	67.35	1.47	+6.70	62.25
Corn.....	60.05	1.53	+5.25	44.45
Sorghum.....	72.10	1.83	+5.20	71.35
Broilers 9/.....	160.00	--	8	165.00
EC INTERVENTION PRICES 10/				
Common wheat(feed quality)	149.65	4.07	+7.60	178.15
Bread wheat (min. quality)7/	158.95	4.32	+8.05	193.70
Barley and all				
other feed grains.....	149.65	--	7.60	178.15
Broilers 11/.....	1070.00	--	+49	1159.00
EC EXPORT RESTITUTIONS (subsidies)				
Wheat	N.A.	--	--	N.A.
Barley.....	N.A.	--	--	41.75
Broilers 9/.....	95.00	--	+5	130.00

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Optional delivery: Argentine Granifero sorghum. 3/ Optional delivery: Canadian feed barley. 4/ Optional delivery: Argentine. 5/ Based on selected major markets and adjusted to more closely reflect farm prices. 6/ Hundredweight (CWT). 7/ Nine-city average: wholesale weighted average. 8/ Durum has a special levy. 9/EC category--70% whole chicken. 10/Basically the intervention price is the EC farm price support, determined annually. 11/ Ex-plant price in West Germany for frozen whole chicken. 12/November shipment. 13/September shipment. N.Q.=Not quoted. N.A.=None authorized. Basis June delivery.



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